

SENATE BILL 1045  
By Southerland

AN ACT to amend Tennessee Code Annotated, Section 56-7-911, relative to permitting insurance companies to utilize the 2001 Commissioner's Standard Ordinary Male Composite Ultimate Mortality Table for purpose of establishing insurance reserves for single premium credit life insurance issued after December 31, 2004.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 56-7-911, is amended by inserting a new paragraph (2) as set out below, and by redesignating existing paragraph (2) as (3):

(2) For single premium credit life insurance issued after December 31, 2004:

(A) If ages are available, an insurer may calculate the net single premium for the remaining benefits by a seriatim method using the 2001 Commissioner's Standard Ordinary Male Composite Ultimate Mortality Table in lieu of the calculations under paragraph (1) for such credit life insurance issued after December 31, 2004. The interest rates used in determining the minimum standard for valuation shall be the calendar year statutory valuation interest rates as defined in § 56-1-403(c)(1). Insurers using this standard may accumulate an additional reserve to assure adequacy of funds for refunds and excess claims on terminated group policies or agency agreements. Approximate methods of calculating this reserve liability may be approved by the commissioner, provided, that:

(i) The actuarial derivation establishes clearly that the method produces at least the minimum reserve; and

(ii) The assumptions on which the approximation is based are checked for accuracy and validity against the current business of the insurer at least annually;

Approval of such methods shall be obtained from the commissioner prior to their use and the annual verification of assumptions shall be filed with the commissioner; or

(B) If ages are not available, the gross unearned premium, on the "Rule of 78" or pro rata basis as specified for refunds, calculated exactly; and"

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.